

RIHEAA

REQUEST FOR PROPOSALS – AUDIT SERVICES

The Rhode Island Higher Education Assistance Authority (RIHEAA) is inviting proposals for audit services for the three-year period beginning with the fiscal year ending June 30, 2015. Audits must be performed for RIHEAA and for the Rhode Island Higher Education Savings Trust (RIHEST), the State's IRS Section 529 Qualified Tuition Savings Program. In addition to the Tuition Savings Program, RIHEAA administers the State's Scholarship and Grant Program and its Loan Division functions as a Guarantee Agency in the Federal Family Education Loan Program.

Please note that Governor Raimondo's budget proposal for fiscal year 2016 includes an article pertaining to government reorganization which would merge RIHEAA into the Office of Post-Secondary Commissioner. If that merger were to take place, it is conceivable that RIHEAA would not require stand-alone audits in fiscal years 2016 and 2017. Prospective audit firms should take into account that the term of services may not be for the three-year period.

The Authority will conduct an information conference on Thursday, April 2, 2015 at 3 p.m. at its office at 560 Jefferson Boulevard, Warwick, RI. At that time, prospective bidders may ask questions and review pertinent documents. All interested parties are invited to attend. To reserve seating at the informational conference, please contact Dana Peterson-Fatuda at 736-1114 by Wednesday, April 1, 2015.

Sealed proposals should be delivered to RIHEAA at its office at 560 Jefferson Boulevard, Warwick, Rhode Island 02886 by **Thursday, April 30, 2015 at 3 p.m.** Proposals will be opened in the Authority's conference room at approximately 3:15 p.m. on that day. Representatives of bidders as well as any interested party may be present at that time.

A review of the proposals will be made by the Authority's management, its Board of Directors and the State's Auditor General. The RIHEAA Board will select the auditor, subject to final approval by the Auditor General and the State's Director of Administration. The firm selected will be required to enter into a written contract with the Authority.

The Authority reserves the right to reject the lowest bidder if it deems that it does not possess the personnel, experience in governmental auditing and other resources to complete the audit in accordance with the audit specifications. The Authority further reserves the right to reject any and all bids.

RIHEAA is an Equal Opportunity / Affirmative Action Employer.

Quasi Bid Description for Bid 0317

The Rhode Island Higher Education Assistance Authority (RIHEAA) is inviting proposals for audit services for the three-year period beginning with the fiscal year ending June 30, 2015. Audits must be performed of RIHEAA (Loan Division and Scholarship and Grant Program) and of the Rhode Island Higher Education Savings Trust. An informational conference for prospective bidders will be conducted on Thursday April 2, 2015 at 3 p.m. at RIHEAA's office at 560 Jefferson Boulevard, Warwick, RI, 02886. To reserve seating at the informational conference, please contact Dana Peterson-Fatuda at (401) 736-1114. Sealed proposals should be delivered to RIHEAA at the above address by 3 p.m. Thursday, April 30, 2015. Proposals will be opened at RIHEAA's offices at 3:15 p.m. on that day.

The Rhode Island Higher Education Assistance Authority (“RIHEAA” or the “agency”) is inviting proposals for audit services for the three year period beginning with the Authority’s fiscal year ending June 30, 2015. The Rhode Island Higher Education Savings Trust (RIHEST), the State’s IRS Section 529 Qualified Tuition Savings Program, is considered a component unit of RIHEAA for financial reporting purposes and accordingly is included in RIHEAA’s financial statements. Separately issued financial statements for just RIHEST are also required and are included within this scope of work.

Audits must be performed for RIHEAA as the reporting entity, which includes:

Proprietary activities:

- Operating Fund – accounts for all transactions relating to the Authority’s activities as a State guaranty agency for the Federal Family Education Loan (FFEL) Program and other administrative activities of the Authority
- Scholarship and Grant Fund – accounts for the State’s need-based grant program which is funded by State appropriations and supplement provided from revenue derived from the Tuition Savings Program

Fiduciary activities:

- Private Purpose Trust - Rhode Island Higher Education Savings Trust (RIHEST), the State’s IRS Section 529 Qualified Tuition Savings Program.
- Agency Fund – Federal Student Loan Reserve Fund

The audit requirements and the items to be specified in the proposals are as follows.

Audits must be performed for RIHEST, which includes:

Proprietary activities:

- Administrative Fund

Fiduciary activities:

- Private Purpose Trust fund – Tuition Savings Program Fund

AUDIT SPECIFICATIONS

Due Dates for Completion of Audit and Delivery of Reports for Inclusion in State’s Comprehensive Annual Financial Report (CAFR) and Statewide Single Audit Report.

1. The audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the agency, Director of Administration, State Controller and Auditor General by **September 30** of each year (as required by Section 35-6-37 of the General Laws.) Failure to comply with the statutory submission date may result in termination of a firm’s audit engagement. These financial statements will be incorporated into the State’s Comprehensive Annual Financial Report. Two copies of all audit reports and communications shall be provided

to the State Auditor General. Submission of audit reports and communications in electronic form is acceptable.

2. The additional audit reports relating to federal awards and required by OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" or (if required) shall be submitted no later than **November 30** of each year.

Note: The federal government released new federal audit requirements for State and local governments receiving federal funds. The new audit requirements will be effective for audit periods beginning on or after December 26, 2014 (generally fiscal 2016 audit). References to OMB Circular A-133, as included herein, shall be superseded by those new requirements (OMB Guidance 2 CFR part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards – Subpart F –Audit Requirements).

Minimum Qualifications of Auditor

The selected audit firm must meet the following minimum requirements. Each audit proposal shall address each of these requirements.

1. The firm selected for the audit shall be a firm of certified public accountants holding a valid certification in the State of Rhode Island or from another state having equal professional standards.
2. The senior accountant in charge of the fieldwork shall be a certified public accountant. Please indicate the individual's qualifications as well as the qualifications of other individuals to be involved in this audit.
3. The audit firm and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
4. The audit firm shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
5. The audit firm shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the quasi-public entity, the Auditor General and the Director of Administration.

Process to Evaluate Audit Proposals

An evaluation committee will be formed comprised of individuals knowledgeable about auditing and financial reporting matters to evaluate the audit firms submitting proposals. Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	Maximum Points
Overall qualifications and experience of the firm and the specific Engagement personnel to be assigned focusing on experiences with Governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal And firm capacity to perform the engagement within the specified timeframe Prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees – See formula for points awarded for audit fees (*)	30
Maximum evaluation points	100

*Evaluation technique – audit fees

Audit fee score – (lowest bid/bid for firm being evaluated) x 30 points

Example: Assuming 3 bids received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

Firm A (the lowest bidder) awarded 30 points $\$40,000/\$40,000 \times 30 \text{ points} = 30$

Firm B awarded 26 points $\$40,000/\$46,000 \times 30 \text{ points} = 26$

Firm C awarded 24 points $\$40,000/\$50,000 \times 30 \text{ points} = 24$

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking which supports the agency's request for approval of the selected audit firm. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

Audit Contract

1. It is recommended that audit firms not be engaged for a period of more than six consecutive years; however, audit firms can submit and will be considered beyond this period provided those firms specifically include within their proposal, the specific safeguards to ensure auditor independence on the engagement due to the length of auditor involvement (i.e. rotation of audit management or other quality control measures) The engagement of auditors for more than six consecutive years can also be made when deemed appropriate and/or necessary and when approved jointly by the Auditor General and Director of Administration.
2. Audit contracts covering more than one year shall specify an audit fee for each year. The audit fee for the financial statement audit and supplementary schedule of expenditures of federal awards shall be inclusive of all expenses.
3. The contract shall also specify an hourly rate for all audit work and reporting requirements related to major federal programs due to the variable scope of work in applying the risk-based approach outlined in OMB Circular A-133. Once the scope of testing required for major programs is determined, the auditor and agency will negotiate a not-to-exceed fee for the portion of the audit related to major federal programs.

Audit Standards

1. The audit specifications shall require that the audit be conducted in accordance with

generally accepted auditing standards established by the American Institute of Certified Public Accountants.

2. The audit shall be conducted in accordance with the generally accepted auditing standards established by the American Institute of Certified Public Accountants and in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The single audit for the Loan / Scholarship and Grant Division shall be in accordance with the standards contained in the **amended (July 1996) Single Audit Act of 1984 and the provisions of revised OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.** Proposals shall address this requirement.

Note: The federal government released new federal audit requirements for State and local governments receiving federal funds. The new audit requirements will be effective for audit periods beginning on or after December 26, 2014 (generally fiscal 2016 audit). References to OMB Circular A-133, as included herein, shall be superseded by those new requirements (OMB Guidance 2 CFR part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards – Subpart F – Audit Requirements).

Audit Scope

1. The financial statements to be presented, audited and reported upon by the private auditor shall include the following, which must be addressed in proposals and in the engagement letter between RIHEAA and the audit firm.
2. The basic financial statements as listed below for RIHEAA:

Proprietary Activities: (Operating fund and Scholarship and Grant fund as major funds)

- Statement of net position
- Statement of revenues, expenses and changes in net position
- Statement of cash flows

Fiduciary Activities: (RIHEST-Tuition Savings Program fund (private purpose trust and Federal Student Loan Reserve fund (agency fund)

- Statement of fiduciary net position
- Statement of changes in fiduciary net position

Notes to financial statements

Management's Discussion and Analysis

Supplementary financial statements and schedules:

a. *Supplementary schedules in the State Required Format:*

- Attachment B – Statement of Net Position
- Attachment C – Statement of Changes in Net Position
- Attachment E – Statement of changes in Long Term Liabilities

- b. *A detail schedule of travel and entertainment expenses as supplementary information:*

A detailed schedule of travel and entertainment expenses shall be included as supplementary information in the financial statements. All expenditures of \$200 or greater shall be itemized and a total shown for all expenditures less than \$200. Chapter 35-7-14 of the General Laws of the State of Rhode Island requires the agency to prepare and maintain documentation for all travel and entertainment in sufficient detail to allow for post audit.

- c. *Supplementary Schedule of Expenditures of Federal Awards with auditor's opinion thereon (required regardless of whether there are any major programs). The following defines federal awards for these purposes:*

Single Audit Act (July 1996) – Section 7501 – Definitions:

“Federal awards” means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities.

“Federal financial assistance” means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance, but does not include amounts received as reimbursement for services rendered to individuals in accordance with guidance issued by the Director (Director of the (federal) Office of Management and Budget).

3. The basic financial statements as listed below for RIHEST:

Proprietary Activities: (RIHEST Administrative Fund

- Statement of net position
- Statement of revenues, expenses and changes in net position
- Statement of cash flows

Fiduciary Activities: (private purpose trust - RIHEST-Tuition Savings Program Fund

- Statement of fiduciary net position
- Statement of changes in fiduciary net position

Notes to financial statements

Management's Discussion and Analysis.

The RIHEST audit shall include a “Schedule of Costs of Outside Consultants and Independent Contractors” as supplementary information:

4. Major Federal Programs:

Identify Type “A” Programs

Type “A” programs (as defined in OMB Circular A-133) will be determined using the

State reporting entity's total expenditure of federal awards. Accordingly, an estimate of total federal awards expended by the State of Rhode Island for the fiscal year will be provided by the Office of the Auditor General to the agency under audit and its auditors. Type "A" programs are those federal programs expected to expend federal awards exceeding the larger of \$3 million or three-tenths of one percent (.003) of total federal awards expended by the State of Rhode Island (reporting entity).

Risk Assessment

In accordance with criteria outlined in OMB Circular A-133, perform a risk assessment of Type "A" programs identified above to determine if they can be considered low-risk. Consider all Type "A" programs not qualifying for a low-risk assessment to be major programs and perform required audit procedures as outlined in OMB Circular A-133.

The auditor should seek approval from the Auditor General's Office before declaring any Type "A" program to be low risk.

No risk assessment shall be performed for programs which are less than the Type "A" dollar threshold unless specifically requested by the Office of the Auditor General.

Note: The federal government released new federal audit requirements for State and local governments receiving federal funds. The new audit requirements will be effective for audit periods beginning on or after December 26, 2014 (generally fiscal 2016 audit). References to OMB Circular A-133, as included herein, shall be superseded by those new requirements (OMB Guidance 2 CFR part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards – Subpart F – Audit Requirements).

Audit Reports

1. Draft copies of all audit report(s) and the management letter shall be submitted to the executive director, the chairman of the board of directors, members of the audit committee of the agency, the Auditor General and the Office of Accounts and Control – Department of Administration prior to the exit conference so that there will be adequate time for review. Proposals shall confirm adherence to this requirement.
2. Reports to be submitted shall include:
 - a. Reports on:
 - (1) basic financial statements as described above in *Audit Scope* based on an audit performed in accordance with generally accepted auditing standards and Government Auditing Standards.

Note that separate sets of reports must be prepared for RIHEAA (Loan Division / Scholarship and Grant Program) and for the Tuition Savings Program (RIHEST.)

- (2) supplementary information as outlined in the *Audit Scope* section

(3) compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

- b. Reports and summaries related to federal financial assistance (as appropriate in the circumstances) **as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.**

Note: The federal government released new federal audit requirements for State and local governments receiving federal funds. The new audit requirements will be effective for audit periods beginning on or after December 26, 2014 (generally fiscal 2016 audit). References to OMB Circular A-133, as included herein, shall be superseded by those new requirements (OMB Guidance 2 CFR part 200 – Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards – Subpart F – Audit Requirements).

- c. Such other reports reasonably requested by the agency and/or the Director of Administration and/or the Auditor General or as required by the applicable section of the general laws.

Note: Auditors should not prepare the Data Collection Form referenced in Circular A-133. The form will be prepared by the Office of the Auditor General for the State reporting entity.

- 4. The auditors shall provide a minimum of 20 final copies of all reports and will provide an electronic (PDF) copy of the report as well.

All of the foregoing requirements shall be incorporated in the engagement letter between RIHEAA and the auditor.

Management Letter

- 1. The audit specifications shall provide for the submission of a management letter upon completion of the audit to the executive director, and the board of directors, with copies to the Director of Administration and the Auditor General.
- 2. The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:
 - a. policies, procedures and practices employed by the agency.
 - b. immaterial weaknesses in internal control that are not “significant deficiencies.”
 - c. use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
 - d. compliance with state laws pertaining to the agency and with rules and regulations established by the agency.

The foregoing requirements shall be reflected in the engagement letter between RIHEAA and the auditor.

Coordination Between the Auditor of the Agency and the Auditor General and Department of Administration

1. The private auditor selected for the agency audit shall cooperate with the Auditor General, as principal auditor, in his coordination of the Single Audit of the State. This will include communications between the Auditor General and the private auditor regarding the determination of major federal financial assistance programs using the risk-based approach prescribed by OMB Circular A-133.
2. Specific inquiries and procedures to assure such coordination include (which audit proposals shall expressly commit to comply with):
 - a. a written representation that the private auditor of a component unit is aware that the financial statements he or she is to audit will be incorporated in the financial statements of the state as the reporting entity and that their report thereon will be relied upon and referred to by the Auditor General as well as any other reports required by *Government Auditing Standards* or the Single Audit Act and OMB Circular A-133.
 - b. a written representation that the private auditor is independent under the requirements of the American Institute of Certified Public Accountants including those in Interpretation 10 of Rule 101 of the AICPA Code of Professionals Ethics and *Government Auditing Standards*.
 - c. a written representation that the private auditor of a component unit meets the continuing educational requirements of *Government Auditing Standards*.
 - d. a written representation that the private auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. He will provide the Auditor General with a copy of his most recent external quality control review report.
 - e. a written representation that the private auditor is familiar with the generally accepted accounting principles for state and local government units and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants; *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and will conduct the audit and will report in accordance with those standards.

- f. attendance of the Auditor General at entrance, exit and other conferences between the private auditor and the agency.
- g. submission of all “draft” copies of the audit report(s) and management letter before the exit conference.
- h. prompt notification to the Auditor General and the Director of Administration by the private auditor if he becomes aware of fraud, abuse, or illegal acts or indications of such acts affecting the agency.
- i. prompt notification to the Auditor General and the Director of Administration by the private auditor if he encounters any significant accounting and/or auditing problems, or any situations that would delay completion of the audit.

Audit Workpapers

Audit workpapers of the private auditors shall be made available, upon request of the Director of Administration and/or the Auditor General for their review, at the completion of the agency audit.

This requirement shall be reflected in the engagement letter between RIHEAA and the audit firm.

State Of Rhode Island Requirements

1. In accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, the private auditor will file upon execution of a contract of engagement, if required, an affidavit with the State Board of Elections concerning reportable political contributions.
2. The audit proposal shall certify that no Rhode Island “major state decision-maker”, or spouse or dependent child of such person as defined in RIGL §42-6-1 holds either a ten percent or greater equity interest or a five thousand dollar or greater cash interest in the business.

Other

1. The audit proposal shall include: proposed terms of payment of the audit firm’s fees, a representation that the firm complies with all federal and state anti-discrimination laws and policies, and proposed rates for supplementary or special services not included within the scope of work of the audit. The audit proposal shall include the resumes of the partner and senior manager in charge of the audit. The proposal shall also state the general qualifications of the field audit staff.
2. The audit proposal shall include a brief history of the firm and its experience in government audits and references.

3. The audit proposal must include a schedule of hourly rates for each category of staff member who will provide services during the audit.
5. The audit proposal must include a signed representation that the fees and expenses shall not exceed the amounts stated in the proposal and do not exceed the fees and expenses charged to the firm's preferred clients.
6. The Authority reserves the right to disqualify incomplete proposals.
7. RIHEAA shall consider all proposals on the basis of their merit in accordance with the criteria specified herein and shall not exclude any person, firm, or other entity, from consideration on the grounds of sex, race, color, or national origin. Likewise, RIHEAA requires that all firms have established non-discrimination policies, including policies which prohibit discrimination in the selection of subcontractors. The proposal shall represent and warrant in its response to this RFP that it does not discriminate on the basis of sex, race, color, or national origin, including but not limited to its selection of subcontractors.
8. RIHEAA and its board of directors and staff are committed to maintaining the highest standard of ethics in the awarding of contracts. In accordance therewith RIHEAA requires that the chief operating officer of each firm certify the following:
"Neither the firm nor any officer, employee, agent, representative or affiliate of the firm has given or offered or shall give or offer to any board member, employee, or representative of RIHEAA or to any family member of the foregoing, or to any business by which any of the foregoing persons are employed, or to any official of the State of Rhode Island who is subject to the State Code of Ethics, any gift, loan, political contribution, reward, or promise of future employment based on any understanding or expectation that the vote, official action, or judgment of the person would be influenced thereby, and, that no officer, employee, agent, representative, or affiliate of the firm shall have any direct or indirect non-incidental contact with any member of the board of directors of RIHEAA during any period of time prior to RIHEAA's award of the engagement, except at a public meeting of the board of directors of RIHEAA or at a meeting of a subcommittee of the board of directors."

Any violation of this Section 8 shall result in immediate disqualification of the proposal.

9. RIHEAA shall evaluate and award the engagement on the basis of the lowest qualified evaluated bid price. RIHEAA reserves the right to reject all proposals.